

## **“Trade and Investment in Greece: Opportunities and Challenges”**

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**March 12, 2007**

**Speech to the American University Graduates Association of N.G.,  
Makedonia Palace Hotel**

Your Holiness, Minister Kalantzis, Minister Folias, Messrs. Mayors and Prefects, Mr. Regional Governor, Members of Parliament, distinguished guests, ladies and gentlemen. I am honored to address the American University Graduates Association tonight. Nikos Filippou, your association exemplifies the close friendship and cooperation that America and Greece enjoy, as well as the shared values which bind our countries together.

These values include a deep commitment to education, hard work and investment in the future, on both individual and national levels. As the father of two recent graduates of American universities I appreciate not only the costs of the tuition you've paid...but also the great satisfactions you have experienced in cultivating these values!

Today I would like to talk about investing in the future of northern Greece. What are the challenges facing the expansion of foreign investment in Greece, and what are the opportunities available to attract more of it, particularly in the North?

Earlier today, I participated in the first meeting for some time of the bilateral U.S. – Greece Economic and Commercial Cooperation Commission. The agenda of the meeting was wide-ranging, and the spirit excellent. Together, the Greek and American delegation analyzed many of the issues I will be discussing tonight with our joint goal the same: to increase trade and investment between our two countries.

I would like to start, therefore, by discussing the bad news – the biggest challenges we face in attracting investment to Greece. But then we'll turn to the good news: the most exciting potential opportunities for American businesses wishing to do business in northern Greece, and in Greece in general.

### **Challenges**

One surprising and, from my standpoint, disturbing fact demonstrates best how difficult American businesses have found investing in northern Greece. There is not one single significant American direct investment in northern Greece. Foreign Direct Investment, in general is at a remarkably low level in Greece – 13 percent of GDP, compared with almost 32 percent on average in the EU. FDI in northern Greece is even lower. Why is that?

There is a paradox inherent in many business successes in Greece. That is to say, behind some of even the most impressive successes, an equally remarkable, if not disturbing, number of barriers to market entry exist and often stifle the investment. For example, more than 6 years ago, Jasper Energy of Harrison, New York introduced a proposal to build a privately-funded, 10.2 Megawatt wind park on the island of Evia. Recently, Jasper received its final permit for what will amount to a \$15 million dollar investment. After construction time and testing, Jasper estimates that it will begin selling electricity in early 2008. So what we have here is a private company that has spent over 7 years attempting to invest a relatively modest 15 million dollars in Greece. The amount of effort required for even this small investment has created an impression that Jasper Energy's time, effort and capital would have been more effectively utilized in another market.

This is precisely the kind of reputation among potential investors that is so detrimental to Greece's efforts to obtain FDI. It is precisely this reality that Greece needs to work to change. The easier an investment is to make and the lower the bureaucratic costs of entry, the greater amount of investment a country can expect

to attract. The market for Foreign Direct Investment is competitive, and Greece must be as competitive as possible to secure its fair share.

Another area for attention is taxes. According to a recent World Bank study, the average Greek company has to visit the tax authorities 33 times and spend 204 hours paying taxes any given year. While Greece will bring down its corporate tax rates to 25 percent this year (2007), compliance costs are still too high. Greek bureaucracy, business laws and regulations, notoriously difficult even for Greek businesses to navigate, need to be made more understandable and manageable for foreigners trying to do business here.

A related area of concern is transparency. Unfortunately, Greece's reputation is not the best. The well-respected organization "Transparency International" compiles an annual "Corruption Perceptions Index." In its 2006 report, the organization noted that Greece had "performed relatively poorly and shown little or no sign of improvement." Greece was 54<sup>th</sup> out of the 163 countries rated. Greece ranked ahead of its Balkan neighbors, but trailed every single EU-25 country, with the exception of Poland. This is not where Greece wants to be. Admittedly, the United States has work to do in this area as well. America ranked 20<sup>th</sup> in the same survey: a relatively poor ranking and one that we need to improve. We look forward to seeing government officials, business executives, and others persevere in the effort to increase transparency and fight corruption in both our countries. This will benefit both foreign and domestic businesses alike.

International corporations are also looking to invest in countries where they can deploy their labor force in a flexible manner. Greece took an important step forward in this direction in July 2005 when it passed a labor reform law that provides for more work hour flexibility. As you know, these efforts are noticed by companies looking for new investment partners; and every effort made today can pay off many times in the future in terms of greater direct investment in-flows, lower unemployment, higher state revenues, and greater economic and social welfare.

Another priority is in the area of intellectual property rights enforcement, or IPR. Although Greece has excellent IPR laws on the books, these laws need to be much more firmly enforced. Companies are not going to bring their valuable intellectual property to be developed or sold in Greece, if they are not confident that they will be able to protect it and realize its full value. Strong IPR enforcement is crucial for the kind of cutting-edge foreign direct investment that Greece, and northern Greece, wants to attract.

### **Opportunities**

The challenges are many, but the good news is that the potential for American and foreign businesses operating in Greece makes me an optimist.

After years of turmoil, the Balkans are beginning to stabilize and once again to attract investors. The peaceful resolution of Kosovo's status, the last conflict in the Balkans, appears within reach. With Bulgaria and Romania recently joining the EU, the whole region will benefit from strong infrastructure spending and the spread of the consumer culture.

Greece, the region's economic and political leader, occupies a key geopolitical position: a gateway to Balkan markets, and one of the best equipped countries to contribute to, and benefit from, political stability and reforms in the region. Greek companies have already invested an estimated twelve billion dollars in the region. Applying their Greek corporate expertise and capital in the energy, construction, telecommunications, and banking sectors, they are operating throughout the region, from Albania to Moldova. Recent estimates place the number of Greek companies that have an active presence in the Balkans at more than 3,500.

U.S. companies are taking notice of Greece's economic growth and regional expansion. Last year, U.S. exports to Greece were nearly 700 million dollars, and we estimate total U.S. investment in Greece to be about five billion dollars. Much lower than it should be perhaps, but still important. Companies like Coca Cola, Philip Morris, Duke Power and First Data have significant stakes in the Greek market and look to grow in the region. Looking forward, we expect U.S. business activities to grow especially quickly in the tourism, medical, construction, food processing and franchising sectors.

In northern Greece, we see unique opportunities for direct investment and joint ventures. Government and EU environmental protection targets should increase incentives for the production of biofuels and other renewable energy sources. The increasing numbers of tourists coming to Greece, including from America, will improve prospects for expanding the relatively short tourism season in Halkidiki and other northern areas.

When completed, the Egnatia highway and Corridor 10 road networks will connect Thessaloniki and the rest of northern Greece to Skopje, Belgrade and Western European capitals. The ongoing modernization, privatization, and expansion of the Port of Thessaloniki will improve northern Greece's access to international markets. Greece's new investment law will make Thessaloniki even more attractive to foreign investors. Government plans to create a "zone of innovation" in Thessaloniki could, if realized, attract high-tech firms and entrepreneurs. American companies will be able to bring their products and services more easily to emerging markets in Turkey and the surrounding Balkan countries via the commercial networks already established by Greek businesses.

But direct investors aren't the only ones noticing the positive economic trends and investing in the Greek market. Portfolio investment in the Greek economy has been growing strongly for several years, and it is estimated that this past October, for the first time, foreign holdings accounted for as much as 50 percent of the Athens Stock Exchange market capitalization. In short, the natural advantages of Greece combined with recent reforms and other positive developments are attracting more foreign investment than ever before.

I would now like to give you some examples of how, working together, the United States and Greece have so far faced some of the challenges and obstacles and managed to create opportunities for investment.

In 2005, the Greek government and the Microsoft Corporation signed a technology cooperation agreement to address inefficiencies in government operations. Microsoft estimates that efficiency losses in the public governance sector amount to over 480 billion dollars in the EU 25 alone and over 1.8 trillion dollars worldwide. To address this problem, Microsoft has developed a global strategy to help governments around the world streamline and integrate their services.

The firm's agreement with Greece provides significant discounts for the Greek government to purchase and utilize Microsoft products and will also create a joint technology innovation center in Greece that will support both academia and the efforts of private software companies to develop new and innovative software solutions. This is an opportunity still waiting to be realized, and the ball is in Greece's court, but it is a good example of a major American company interested in investing in research and development in Greece.

Another successful venture that gives reason for optimism include the recent decision by Raytheon, a leading American defense contractor, to license, develop and sell equipment and technology from Larissa-based Soukos Robots. This agreement is the first time a Greek company has licensed technology to an American defense contractor – instead of the other way around – and will likely raise the profile of northern Greece as a potential source of high-tech products and services.

The U.S. Embassy and our Consulate in this city have also been directly involved in pairing potential investors with Greek government contacts. In 2000, the U.S. Embassy and Consulate organized a trade mission from the state of New Jersey that came to explore opportunities for trade and investment between Greece and New Jersey. One result of the visit was the decision by an American company, Energy Photovoltaics, Inc. (EPV) and a Greek company, Themeliodomi, to form a joint partnership to build a factory that will produce photovoltaic panels in Kilkis.

The partnership takes advantage of northern Greece's proximity and access to the Balkans and Western Europe markets, government investment incentives, and northern Greece's well-educated labor force. The partnership company, Heliiodomi, hopes to begin production by the end of 2007 and, if it does, it will represent the first significant American investment functioning in northern Greece.

The seven year start-up period again underscores the challenges of investing in Greece, but the result – producing renewable energy and creating jobs in a region where unemployment is high – could be very

beneficial for both the United States and Greece. At a minimum, Heliiodomi's experience will provide us with another success story of American investment in northern Greece that we can use to help inform potential investors about what can be done here.

I mention Microsoft, Raytheon and Heliiodomi specifically because each, in its own way, highlights the kinds of opportunities that arise from our shared economic and development interests, as well as the need for education, hard work and investment on both sides of the deal in order to bring it to fruition.

The U.S. Embassy in Athens and the Consulate General in Thessaloniki will continue to work with the local and central government authorities on these issues to improve prospects for more U.S. investment in Greece. We will continue to assist American businesses and entrepreneurs in understanding the challenges and taking advantage of the opportunities available in northern Greece. It is up to Greek businesses and authorities, however, to create conditions necessary to attract investors, and it is up to the investors to decide whether those conditions are adequate.

While much work remains to be done, I am confident that Greece is moving in the right direction on the critical improvements needed to attract more foreign, and particularly American, investment. I hope you and your colleagues will play an active role as advocates for these improvements.

As business people and civic leaders, you can help create a more attractive environment for FDI, by urging your leaders to lower barriers to investment, by reaching out to potential investors with your good ideas and by advertising Greece's interest in FDI. As my friend George Alogoskoufis said in a recent speech to Greek businessmen in Thessaloniki, "On the one hand, we [Greeks] want foreign investments and on the other, when they come, everyone joins together to hinder them...We have to decide. Either we want foreign investment or we don't." I believe if businesses and government make the right decisions to encourage foreign investment, northern Greece will attract more capital, technology, know-how and foreign partners.

Business people and associations can also help by organizing well-focused trade missions to the United States or making other direct contact with U.S. companies to promote northern Greece's many promising opportunities, from the growing potential in the energy industry and tourism sector, to the relatively untapped worldwide market for Greek products.

In closing, I would like to state my willingness and indeed my eagerness to join with you on this mutually beneficial project: increasing foreign, and specifically American, direct investment in Greece. There are many challenges on this path, but your position as graduates of American colleges and universities gives you unique insight into both countries. By having experienced life in America and coming back to share your experiences in Greece, you are already improving the social and cultural relationship between our countries. I now look forward to seeing you take an even more active role in improving our economic relationship. Thank you very much for inviting me to speak here today.

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